



## Hispanics & Education in The Health Care and Education Reconciliation Act of 2010

*"We will provide the support necessary for you to complete college and meet a new goal: by 2020, America will once again have the highest proportion of college graduates in the world."*

- President Barack Obama

February 24, 2009

The Health Care and Education Reconciliation Act of 2010 delivered a significant down payment on the President's ambitious agenda to make higher education more affordable and help more Americans earn a college degree. The law raises the maximum Pell Grant, makes loan payments more affordable for students with unmanageable debt, increases investments in community colleges, and extends support for Historically Black Colleges and Universities and other Minority Serving Institutions, all at no additional cost to taxpayers according to the non-partisan Congressional Budget Office. The education initiatives funded by the law are fully paid for by ending government subsidies that were being given to financial institutions making guaranteed federal student loans.

Building on existing accomplishments since the President took office—raising the maximum Pell Grant by more than \$800 and tripling the largest college tax credit now known as the American Opportunity Tax Credit—the Health Care and Education Reconciliation Act will help expand college access and increase graduation rates for Hispanic Americans.

To support Hispanic Americans' success in higher education, the new law:

**Increases Pell Grants:** The Health Care and Education Reconciliation Act invests more than \$40 billion in Pell Grants to ensure that all eligible students receive an award and that these awards will be increased in future years to help keep pace with the rising cost of college. These investments, coupled with the President's previous investments, more than double the total amount of funding provided for Pell Grants since the President took office. The law increases the Federal Pell Grant maximum award by the Consumer Price Index from 2013 through 2017, which is estimated to raise the award from \$5,550 to \$5,975, according to the non-partisan Congressional Budget Office. By academic year 2020-2021, the Department of Education estimates more than 150,000 additional Pell Grant awards would be made to Hispanic students due to the changes in the law.

**Expands Income Based Repayment:** Because of the high cost of college, about two-thirds of students take out college loans with an average student debt of over \$23,000. This debt is particularly burdensome for graduates who choose to enter lower-paying public service careers, suffer setbacks such as unemployment or serious illness, or fail to complete their degree. To ensure that Hispanic Americans can afford their student loan payments, the Health Care and Education Reconciliation Act makes the existing income-based student loan repayment program more generous for new borrowers after July 1, 2014. They will be allowed to cap their student loan repayments at 10 percent of their discretionary income and, if they keep up with their payments over time, forgive their balance after 20 years. As under current law, public service workers—such as teachers, nurses, and those in military service—will see any remaining debt forgiven after only 10 years. According to Department of Education estimates, of the 1.2 million borrowers projected to qualify and take part in the expanded IBR program between 2014 and 2020, approximately 143,000 are expected to be Hispanic.

**Increases Support for Minority Serving Institutions (MSIs):** While many of today's colleges and universities are facing a host of challenges—shrinking endowments, decreasing state appropriations, deteriorating facilities and increasing costs—many of America's Hispanic-Serving Institutions (HSIs) are feeling the pain more acutely. They do more with less and enroll higher proportions of low- and middle-income students. That's why the Health Care and Education Reconciliation Act provides \$1 billion to HSIs in mandatory funding over ten years for these institutions, dollars that can be used to renew, reform, and expand programming to ensure that students at these colleges and universities are given every chance to live up to their full potential.

These benefits build on other provisions of the law that put the Pell Grant program on sounder footing by covering past and expected shortfalls and that invest new dollars in community colleges. Ultimately, the education related provisions of the Health Care and Education Reconciliation Act are fully paid for by ending the government subsidies currently given to financial institutions that make guaranteed federal student loans. Starting July 1, all new federal student loans will be direct loans delivered and collected by private companies under performance-based contracts with the Department of Education. According to the Congressional Budget Office, ending these wasteful subsidies frees up nearly \$68 billion which this new law reinvests back into students and into reducing the deficit.